

**REPORT OF THE AUDIT OF THE  
METCALFE COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2007**



**CRIT LUALLEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE METCALFE COUNTY SHERIFF**

**For The Year Ended  
December 31, 2007**

The Auditor of Public Accounts has completed the Metcalfe County Sheriff's audit for the year ended December 31, 2007. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees decreased by \$11,250 from the prior year, resulting in excess fees of \$27,244 as of December 31, 2007. Revenues increased by \$75,500 from the prior year and expenditures increased by \$86,750.

#### **Report Comments:**

- The Sheriff Should Pay Excess Fees On The Day He Settles With The Fiscal Court
- The Sheriff Should Strengthen Internal Controls
- The Sheriff Did Not Provide Adequate Oversight Of Fuel Credit Card Purchases

#### **Deposits:**

The Sheriff's deposits as of December 14, 2007 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured    \$146,468

The Sheriff's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the Sheriff's deposits in accordance with the security agreement.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Wilson, Metcalfe County Judge/Executive  
The Honorable Rondal Shirley, Metcalfe County Sheriff  
Members of the Metcalfe County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Metcalfe County, Kentucky, for the year ended December 31, 2007. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2007, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2008 on our consideration of the Metcalfe County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Greg Wilson, Metcalfe County Judge/Executive  
The Honorable Rondal Shirley, Metcalfe County Sheriff  
Members of the Metcalfe County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Should Pay Excess Fees On The Day He Settles With The Fiscal Court
- The Sheriff Should Strengthen Internal Controls
- The Sheriff Did Not Provide Adequate Oversight Of Fuel Credit Card Purchases

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Metcalfe County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

August 21, 2008



METCALFE COUNTY  
 RONDAL SHIRLEY, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2007

Revenues

State - Kentucky Law Enforcement Foundation Program Fund	\$	6,510
State Fees For Services:		
Finance and Administration Cabinet	\$	45,665
Sheriff Security Service	<u>9,647</u>	55,312
Circuit Court Clerk:		
Fines and Fees Collected		5,410
Fiscal Court		33,377
County Clerk - Delinquent Taxes		1,553
Commission On Taxes Collected		103,908
Fees Collected For Services:		
Auto Inspections	3,114	
Accident and Police Reports	1,355	
Serving Papers	17,635	
Carrying Concealed Deadly Weapon Permits	<u>3,975</u>	26,079
Other:		
Tax Penalties	16,870	
HB 577	4,170	
Miscellaneous	599	
Dog Tags	40	
Proceeds From Surety Bond	<u>20,101</u>	41,780
Interest Earned		2,417
Borrowed Money:		
State Advancement		<u>53,055</u>
Total Revenues		<u>329,401</u>

The accompanying notes are an integral part of this financial statement.

METCALFE COUNTY  
 RONDAL SHIRLEY, SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2007  
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 47,806	
Other Salaries	<u>45,659</u>	\$ 93,465

Employee Benefits-

Employer's Share Social Security		11,394
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Contracted Services-

Advertising		1,605
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Materials and Supplies-

Office Materials and Supplies	2,090	
Uniforms	1,337	
Film	200	
Supplies	<u>1,997</u>	5,624

Other Charges-

Conventions and Travel	587	
Dues	665	
Postage	2,596	
HB 577	3,660	
Serving Papers	1,130	
CCDW	2,470	
Miscellaneous	580	
Surety Bond Reimbursed Expenditures	20,101	
Transporting Fugitives	<u>85</u>	31,874

Auto Expense-

Gasoline	19,552	
Maintenance and Repair	<u>3,875</u>	23,427

Capital Outlay-

Office Equipment		10,595
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Debt Service:

State Advancement		<u>53,055</u>
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Total Expenditures

<u>231,039</u>
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The accompanying notes are an integral part of this financial statement.

METCALFE COUNTY  
RONDAL SHIRLEY, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2007  
(Continued)

Net Revenues	\$ 98,362
Less: Statutory Maximum	<u>71,118</u>
Excess Fees Due County for 2007	27,244
Payment to Fiscal Court - June 10, 2008	<u>28,134</u>
Balance Due From Fiscal Court at Completion of Audit	<u><u>\$ (890)</u></u>

The accompanying notes are an integral part of this financial statement.

METCALFE COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2007

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2007 services
- Reimbursements for 2007 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2007

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

METCALFE COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2007  
 (Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent for the first six months and 16.17 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Metcalfe County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Metcalfe County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of December 14, 2007, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the Sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured      \$146,468

METCALFE COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2007  
(Continued)

Note 4. Drug Eradication Account

The Metcalfe County Sheriff maintains a Drug Eradication Account, which is funded by proceeds from the confiscation, surrender, or sale of real and personal property involved in drug related convictions. These funds are to be used for law enforcement activities. As of January 1, 2007, this account had a balance of \$7,257. During 2007, \$3,960 was received and \$3,317 was expended, leaving a balance of \$7,900.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Wilson, Metcalfe County Judge/Executive  
The Honorable Rondal Shirley, Metcalfe County Sheriff  
Members of the Metcalfe County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Metcalfe County Sheriff for the year ended December 31, 2007, and have issued our report thereon dated August 21, 2008. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Metcalfe County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.

- The Sheriff Should Strengthen Internal Controls
- The Sheriff Did Not Prove Adequate Oversight Of Fuel Credit Card Purchases



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Metcalfe County Sheriff's financial statement for the year ended December 31, 2007, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Sheriff Should Pay Excess Fees On The Day He Settles With The Fiscal Court

The Metcalfe County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Metcalfe County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

August 21, 2008

## COMMENTS AND RECOMMENDATIONS



METCALFE COUNTY  
RONDAL SHIRLEY, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2007

STATE LAWS AND REGULATIONS:

The Sheriff Should Pay Excess Fees On The Day He Settles With The Fiscal Court

The Sheriff presented his annual settlement to the county but did not present the excess fees. Based upon KRS 134.310 "On final settlement, the sheriff shall pay to the county treasurer all money that remains in his hands, and take receipts as provided in KRS 134.300, and shall pay any additional amounts charged against him as a result of the settlements." We recommend the sheriff pay the excess fees on final settlement.

*Sheriff's Response:* None.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

The Sheriff Should Strengthen Internal Controls

We noted the following control deficiencies during our review of internal controls and testing:

- The bank does not provide copies of back of checks. We recommend the Sheriff contact the bank to request copies of backs of checks.
- Twelve invoices out of thirty tested were not properly cancelled to prevent duplicate payments. We recommend each invoice be marked paid to prevent duplicate payments.
- Payroll was not properly posted nor were individual earnings records footed.
- Quarterly financial reports did not reconcile to the monthly reports.

*Sheriff's Response:* I will call the bank and correct problem.

The Sheriff Did Not Provide Adequate Oversight Of Fuel Credit Card Purchases

The Sheriff did not provide adequate oversight over fuel credit card purchases and we could not determine if all of the fuel purchased was appropriately used. The Sheriff's office has three fuel credit cards. A personal identification number (PIN) and odometer reading are required each time the card is used. When the monthly credit card statement is received, there is a breakdown by PIN number to show the date of purchase, gallons of fuel purchased and odometer reading at the time of purchase.

Prior to payment, the Sheriff did not review the credit card statements nor were vendor receipts maintained and reconciled to amounts on the monthly billing statement. In addition, there were instances when the same odometer reading was used each time fuel was purchased. By not reviewing and maintaining proper oversight of these credit cards, the Sheriff did not ensure the accuracy of what was billed and the reasonableness of what was charged by each deputy.

METCALFE COUNTY  
RONDAL SHIRLEY, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2007  
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

The Sheriff Did Not Provide Adequate Oversight Of Fuel Credit Card Purchases (Continued)

Each deputy should be held accountable to maintain the original vendor receipts and should ensure actual odometer readings are used at the time of purchase. In addition, each vendor receipt should be maintained and reconciled to the monthly billing statement prior to payment.

*Sheriff's Response: We have already corrected.*

